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Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-06
CEA-01 PA-01 PRS-01 FAA-00 CAB-02 DOTE-00 /084 W
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R 110739Z JAN 78
FM AMEMBASSY ACCRA
TO SECSTATE WASHDC 1739

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E.O. 11652: N/A
TAGS: EINV, EFIN, SEDU, GH, CPRS (BERGER, PAUL)
SUBJ: CALL ON CENTRAL BANK GOVERNOR; REMITTANCES

REF: (A) 77 ACCRA 8249; (B) 77 ACCRA 8956

1. AMBASSADOR, ACCOMPANIED BY E/C COUNSELOR, CALLED JANUARY 4 ON BANK OF GHANA GOVERNOR ALEX ASHIAGBOR TO RAISE U.S. FIRMS' REMITTANCES PROBLEMS GENERALLY AND THOSE OF PROFESSORS BERGER AND HENDRICKSON (REFTEL B) SPECIFICALLY.

2. REMITTANCES. (A) PROFITS AND DIVIDENDS. THE AMBASSADOR RECALLED THE BANK OF GHANA'S MID-SEPTEMBER ANNOUNCEMENT CONCERNING PROFIT AND DIVIDEND REMITTANCES FOR CATEGORIES OF FIRMS AND SELECTED YEARS IN THE MID, 1960'S (REFTEL A), AND THE REPORTED NVEMBER 15 AN-NOUNCEMENT BY THE CHAIRMAN OF THE SMC, GENERAL ACHEAMPONG, THAT, TO IMPROVE THE INVESTMENT CLIMATE, THE GOVERNMENT WOULD SOON COME OUT WITH REVISED AND LIBERALIZED PROCEDURES FOR THE REPATRIATION OF PROFITS AND DIVIDENDS IN RESPECT OF FOREIGN COMPANIES WHICH INVESTED IN GHANA. THE AMBASSADOR HOPED THAT THE GOVERN-
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MENT WOULD SOON BE ANNOUNCING FURTHER CONCRETE STEPS TO ENABLE FOREIGN FIRMS TO REMIT BOTH PROFITS AND DIVIDENDS. SOME U.S. FIRMS, SUCH AS TEXACO, HAD NOT REMITTED ANY PROFITS FOR NEARLY TWO DECADES.

(B) PROCEEDS FROM SHARE SALES AS REQUIRED BY THE INVEST-MENT POLICY DECREE. SUCH SHARE SALES HAD BEEN COMPLETED

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BY JANUARY 1, 1977; THE FIRMS HAD BEEN PAID IN LOCAL
CURRENCY WITHOUT ANY REMITTANCES AUTHORIZED TO DATE.
EVEN PARTIAL PAYMENTS (IN FOREIGN EXCHANGE) NOW ON THE
AMOUNTS OUTSTANDING, WITH AN ANNOUNCED SCHEDULE OF
FUTURE PAYMENTS, WOULD GREATLY IMPROVE INVESTOR CONFIDENCE.

3. IN REPLY, THE GOVERNOR SAID THAT IN FAIRNESS TO THE
CHAIRMAN, HE SHOULD NOTE THAT THE CASTLE HAD BEEN
PRESSING HIM ON THIS QUESTION OF REMITTANCES AND IN-
VESTOR CONFIDENCE. THE ISSUE WAS HOW BEST TO USE THE
LIMITED FUNDS AVAILABLE. THE GOVERNMENT SAW THE OUT-
STANDING BALANCE (ABOUT CEDIS 65 MILLION) ON THE PRE-
1972 SHORT-TERM DEBTS AS THE MOST URGENT OF THE SEVERAL
DEBT/REMITTANCE PROBLEMS. AT THE 1974 ROME MEETING
WITH CREDITORS, A SCHEDULE FOR REPAYMENT OF MEDIUM-
TERM DEBTS HAD BEEN AGREED UPON, BUT THE FEELING
CONCERNING THE SHORT-TERM DEBTS HAD BEEN THAT THESE
WERE FAR MORE MANAGEABLE AND NO SUCH SCHEDULE WAS NEEDED.
IN THE EVENT, THIS SHARED GHANAIAN AND FOREIGN CREDITOR
CONFIDENCE HAD NOT BEEN BORN OUT. THESE SHORT-TERM
DEBTS WERE NOW AN EMBARRASSMENT AND WERE ADVERSELY
AFFECTING LENDERS' CONFIDENCE. THE GOVERNOR SPECIFICALLY
CITED THE EXIMBANK'S REFUSAL TO GUARANTEE EXPORTS SALES
TO GHANA UNTIL GHANA MET ITS SHORT-TERM LIABILITY TO
THAT BANK AS RAISING SERIOUS QUESTIONS IN LENDERS' AND PO-
TENTIAL INVESTORS' MINDS CONCERNING GHANA'S CREDIT
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WORTHINESS. THE GOVERNOR ATTRIBUTED THE SLOW PROGRESS
IN PART TO TOO FREQUENT "AD HOC" DEVELOPMENTS AFFECTING
THE MANAGEMENT OF GHANA'S FOREIGN EXCHANGE.

4. NEXT IN PRIORITY, THE GOVERNOR'S VIEW, SHOULD BE
FURTHER REMITTANCES OF PAST YEARS' PROFITS AND DIVIDENDS
BY PRIVATE FIRMS (ABOUT 155 MILLION CEDIS, ACTUALLY
APPLIES FOR). THIS WOULD ALSO HELP TO BOOST INVESTOR
CONFIDENCE. HE SAID CEDIS 14 MILLION (ABOUT DLS 12.2
MILLION) WOULD BE PAID OUT IN JANUARY AND FEBRUARY
(PRESUMABLY PURSUANT TO THE SEPTEMBER ANNOUNCEMENT). THIRD
PRIORITY ONLY WOULD BE GIVEN TO REPATRIATION OF CAPITAL
FROM THE ASSETS SALES REQUIRED BY THE INVESTMENT POLICY
DECREE (ABOUT 54 MILLION). SUCH CAPITAL REPATRIATION
TRADITIONALLY FOLLOWED ONLY SLOWLY, COMPARED TO PROFITS,
THE GOVERNOR NOTED. HOWEVER, THE GOAL WAS TO MAXIMIZE
THE FAVORABLE IMPACT ON THE INVESTMENT CLIMATE. TO USE
THE LIMITED FOREIGN EXCHANGE RESOURCES AVAILABLE TO BEST
ADVANTAGE, THE GOVERNOR WOULD WELCOME LEARNING WHAT THE
EMBASSY AND/OR AMERICAN BUSINESSMEN BELIEVED SHOULD
BE GIVEN TOP PRIORITY. THE AMBASSADOR SAID WE WOULD
CONSULT THE REPRESENTATIVES OF U.S. FIRMS IN GHANA TO

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LEARN THEIR VIEWS AND SHARE WITH THE GOVERNORTHE VIEWS.
AT THE SAME TIME, GIVEN THE U.S. LAWS RELATING UNCOM-
PENSATED EXPRIORIATION TO U.S. FOREIGN POLICY, THE
GOVERNMENT OF GHANA MIGHT WELL ACCORD HIGHER PRIORITY
TO REPAYING PROMPTLY AT LAST A PORTION OF THE SHARE
SALE PROCEEDS.

5. PANAM TICKET SALES REMITTANCES. THE BANK OF GHANA
HAD AGREED IN MAY 1977 TO A MONTHLY PAYMENT SCHEDULE TO REDUCE
THE BACKLOG FROM 1976 OF TICKET SALES REMITTANCES BY
THE FOREIGN AIRLINES. NO REMITTANCES HAD BEEN APPROVED
FOR ANY MONTHS AFTER MARCH 1977 AND THIS NINE-MONTH REMITTANCE
DELAY WAS NO BETTER THAN AT THE TIME OF THE MAY AGREEMENT.
WE LEFT A COPY OF THE LATEST POSITION WITH THE GOVERNOR,
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WHO AGREED TO LOOK INTO IT. (PANAM IS NOW OWED CEDIS
1,226,444; TOTAL AMOUNTS DUE THE NINE LEADING FOREIGN
AIRLINES SERVING GHANA WERE CEDIS 12.3 MILLION.)

7. INFLATION AND OPERATING LOSSES OF U.S. FIRMS. THE
AMBASSADOR ALSO NOTED THAT SUCH U.S. FIRMS AS VOLTA
ALUMINIUM COMPANY (VALCO), WHICH BOUGHT THEIR CEDIS
AT THE FIXED EXCHANGE RATE TO MEET LOCAL EXPENSES, INDLUD-
ING WAGES AND SALARIES, WERE PARTICULARLY HARD HIT BY
INFLATION, AND FACED THE PROSPECT OF

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ACTION AF-10

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COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 PA-01 PRS-01 FAA-00 CAB-02 DOTE-00
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R 110739Z JAN 78
FM AMEMBASSY ACCRA
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SEEING THEIR PROFIT MARGIN ELIMINATED AND IN THE NEXT YEAR OR TWO OPERATING AT A LOSS. OTHER U.S. FIRMS, SUCH AS UNION CARBIDE, WERE ALSO HARD HIT, WE NOTED. THE GOVERNOR HAD MET EARLIER WITH VALCO OFFICIALS, WAS AWARE OF THE PROBLEM, AND NOTED THAT THE GOG PLANNED TO REDUCE THE DEGREE OF DEFICIT FINANCING IN THE CURRENT YEAR'S BUDGET AS A FIRST STEP TOWARD CONTAINING INFLATION.

8. PROFESSORS BERGER AND HENDRICKSON (REFTEL B). A NOVEMBER 14 LETTER FROM BANK OF GHANA DEPUTY GOVERNOR SARPONG HAD STATED THAT THE U.S. EMBASSY "WOULD BE DULY ADVISED DURING THE NEXT COUPLE OF WEEKS" CONCERNING THE LONG- SOUGHT APPROVAL FOR THESE TWO AMERICAN PROFESSORS TO REMIT MODEST BALANCES IN THEIR CEDI BANK ACCOUNTS IN GHANA. WE LEFT A COPY OF THIS LETTER WITH GOVERNOR ASHIAGBOR, WHO AGREED TO CHECK ON THIS.

9. COMMENT: WE THINK WE MAY BE NEARING THE END OF AN 18-MONTH EFFORT TO GET PROFESSORS BERGER AND HENDRICKSON THEIR MONEY. ON REMITTANCES, HOWEVER, THE RECORD IS LESS GOOD. THE AIRLINES MAY GET SOME RELIEF BUT THE GOG HAS FALLEN BEHIND ON ITS AGREED SCHEDULE AND THE CARRIERS
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ARE BEGINNING TO TALK OF HARD CURRENCY SALES ONLY, REFUSING TO ACCEPT GHANA AIRWAYS DOCUMENTS OR 100 PERCENT ON LINE SALES ONLY (I.E., LIMITED TO TRAVEL ON THE CARRIER SELLING THE TICKET), AS POSSIBLE WAYS OF ENSURING THEY GET PAID. RE PROFIT AND DIVIDEND REMITTANCES NOTHING CONCRETE, SO FAR AS WE ARE AWARE, HAS YET COME OF THE NOVEMBER 1976 DECISION BY THE SUPREME MILITARY COUNCIL TO BEGIN CLEARING THE BACKLOG ON OUTSTANDING PROFIT AND DIVIDEND REMITTANCE APPLICATIONS (AGAIN SEE REFTEL B). THE PROGRAM HAS CLEARLY NOT BEEN IMPLEMENTED YET. TEXACO HAS NOT YET RECEIVED ITS PRE-1966 REMITTANCES, ALTHOUGH IT RE-APPLIED FOR THESE PROMPTLY AFTER THE SEP- TEMBER 14 ANNOUNCEMENT. WE ARE UNCERTAIN WHAT 1978, A YEAR OF ANTICIPATED HIGH COCOA EXPORT EARNINGS AND HENCE RELATIVELY LARGE FOREIGN EXCHANGE AVAILABILITIES, WILL BRING FOR UNITED STATES INVESTORS HERE. THE PRE-1972 SHORT- TERM DEBTS, INCLUDING THE DLS 187 THOUSAND OWED THE EXIMBANK, AMOUNTED TO CEDIS 71 MILLION AS OF FEBRUARY, 1977. POST-1972 ARREARS AT THAT TIME STOOD AT CEDIS 72.5 MILLION. THUS NOT MUCH PROGRESS HAS BEEN MADE IN THE PAST 12 MONTHS. WE SUSPECT, GIVEN THAT SOME PETROLEUM-DISTRIBUTION AND OTHER FOREIGN COMMERCIAL FIRMS HERE BEGAN AT GOG REQUEST IMPORTING ON A COLLECTION BASIS, THAT THE TOTAL LEVEL OF

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POST-1972 ARREARS ROSE IN CY1977. WE WILL CONTINUE TO
PRESS THE GOG ON THESE REMITTANCE ISSUES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ACCRA00245
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780016-0157
Format: TEL
From: ACCRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780178/aaaacnpk.tel
Line Count: 227
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8f98eae4-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 ACCRA 8249, 77 ACCRA 8956
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3796405
Secure: OPEN
Status: NATIVE
Subject: CALL ON CENTRAL BANK GOVERNOR; REMITTANCES
TAGS: EINV, EFIN, SEDU, CPRS, GH, (BERGER, PAUL)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/8f98eae4-c288-dd11-92da-001cc4696bcc
Review Markings:
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Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014